

Message Text

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FM AMEMBASSY KUWAIT

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AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BELGRADE

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

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BEIRUT FOR LEFEAVER

EO 11652: NA

TAGS: BMEP, BEXP, EGEN, PINT, KU

SUBJ: NEW KUWAIT TOWN: YUGOSLAVS LIKELY PARTNER

REF: A) KUWAIT 2156; B) KUWAIT 2012; C) KUWAIT 1557; D) STATE
101988; E) STATE 104147

SUMMARY: NATIONAL REAL ESTATE CO WHICH LARGELY GOVERNMENT OWNED,
BELIEVED BE SERIOUSLY NEGOTIATING WITH YUGOSLAV FIRM ENERGOPROJEKT
IN ITS SEARCH FOR EQUITY PARTNER TO BUILD NEW KUWAIT TOWN AND
OTHER DEVELOPMENT PROJECTS. ENERGOPROJEKT KNOWN TO BE RECEIVING
STRONG SUPPORT FROM ITS EMBASSY AND MORE IMPORTANTLY APPEARS
TO HAVE BACKING OF SEVERAL VERY SENIOR GOK OFFICIALS. TO DATE,
ONLY ONE U.S. GROUP HAS SUBMITTED A REAL PROPOSAL, ALTHOUGH,
AT LEAST, THREE OTHER U.S. COMPANIES OR CONSORTIA HAVE
EXPRESSED SOME INTEREST IN PROJECT AND MET WITH NREC PRINCIPALS.
ENERGOPROJEKT EXPERIENCED IN THIS FIELD AND HAS VERSATILITY
TO UNDERTAKE PREFAB AND REGULAR CONSTRUCTION PROJECTS WHICH
NREC SEEMS TO REQUIRE. BARRING BREAKDOWN IN YUGOSLAV NEGOTIATIONS,
BEST U.S. HOPE WOULD BE PUT FORWARD CONSTRUCTION COMPANY

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EXPERIENCED IN BOTH INDUSTRIAL AND CONVENTIONAL HOUSING TECHNIQUES.

EMBASSY REQUESTS TEHRAN AND BEIRUT AS WELL AS COMMERCE TO SEE IF SUCH AN OFFER LIKELY TO BE FORTHCOMING.

1. REFTELS REPORT ON EFFORTS OF NEWLY FORMED NATIONAL REAL ESTATE COMPANY TO FIND FOREIGN EQUITY PARTNER IN CONSTRUCTION FIELD TO BUILD 2000 VILLAS SOUTH OF KUWAIT CITY, COOPERATE IN OTHER PRESTIGIOUS REAL ESTATE DEVELOPMENT PROJECTS IN THE AREA AND PARTICIPATE IN THE CONSTRUCTION OF LOW-INCOME HOUSING FOR THE GOVERNMENT. NREC IS LARGELY OWNED BY GOK AGENCIES INCLUDING THE KUWAIT CREDIT AND SAVINGS BANK WHICH PRESENTLY OVERSEES LOW-INCOME HOUSING PROGRAMS IN KUWAIT. GIVEN BOOMING CONSTRUCTION MARKET AND LIKELIHOOD GOK WILL ALLOCATE \$700 MILLION OVER NEXT FIVE YEARS FOR PUBLIC HOUSING, NREC IS ALMOST GUARANTEED CONTINUING WORK IN THE LOCAL MARKET, AND IT LIKELY TO PROVE A PROFITABLE VENTURE FOR ITS INVESTORS.

2. EMBASSY HAS HEARD REPORTS WHICH GRUDGINGLY CONFIRMED BY NREC OFFICIALS THAT THEY ALREADY SERIOUSLY NEGOTIATING WITH ENERGOPROJEKT, A LARGE YUGOSLAV FIRM WHICH HAS PREVIOUSLY CARRIED OUT LOW-INCOME HOUSING PROJECTS IN KUWAIT AND HAS SET UP JOINT-VENTURES WITH OTHER NATIONS' CONSTRUCTION COMPANIES THROUGHOUT MIDDLE EAST AND AFRICA. IT FURTHER KNOWN THAT ENERGOPROJEKT HAS RECEIVED FULL POLITICAL SUPPORT FROM ITS EMBASSY HERE AND IT BELIEVED THAT PRESSURE TO ACCEPT COMPANY AS PARTNER IS COMING FROM HIGH LEVELS WITHIN GOK. ALTOGETHER NREC HAS RECEIVED FIVE OR SIX EQUITY PROPOSALS AND ALSO BE CONDUCTING SIMULTANEOUS NEGOTIATIONS WITH ANOTHER EUROPEAN FIRM, BUT IT CAN BE SAFELY ASSUMED ENERGOPROJECT ENJOYS INSIDE TRACK UNLESS PRESENT NEGOTIATIONS GO AWRY.

3. ALTHOUGH SEVERAL U.S. FIRMS HAVE SHOWN INTEREST IN THE PROJECT, ONLY JONES & FELLERS ARCHITECTS AND ALGERNON BLAIR CONSTRUCTION COMPANY CONSORTIUM HAVE MADE A SERIOUS PROPOSAL. NREC SEEMS TO BELIEVE THIS GROUP HAS NOT HAD ENOUGH EXPERIENCE IN HOUSING FIELD. ON JUNE 2, CHAIRMAN YUSSEF SHAIJI MET WITH HANS NEUMANN, PRES, PERKINS & WILL INTERNATIONAL (ARCHITECTS) AND WILLIAM SANDERS, PRES I.D.C. REAL ESTATE (CONTRACTORS/ DEVELOPERS) WHO WORKING TOGETHER ON SIMILAR DEVELOPMENT IN TEHRAN AND MR SKIDMORE OF SKIDMORE, OWINGS, AND MERRILL. NREC SEEMED INTERESTED IN PERKINS & WILL-IDA GROUP. THEY DID LIMITED OFFICIAL USE

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NOT OFFER TO ENTER INTO NEGOTIATIONS. SKIDMORE, OWINGS, AND MERRILL ALREADY INVOLVED WITH KUWAIT REAL ESTATE CO, WHICH SUFFERED SERIOUS SETBACK WHEN PARKING GARAGE IT WAS CONSTRUCTING COLLAPSED KILLING A NUMBER OF WORKMEN, AND, IN ANY CASE, SKIDMORE HAS APPARENTLY NOT TEAMED UP WITH CONSTRUCTION FIRM. EMBOFF HAS ALSO RECEIVED TELEPHONE CALL FROM PANERO-TIZIAN ASSOCIATES, INC NEW YORK BASED CONSULTING ENGINEERS, WHO SAID THEY HAVE BEEN TRYING TO PUT TOGETHER A GROUP AND WOULD BE MAKING AN

OFFER IF SUCCESSFUL.

4. GIVEN STRONG YUGOSLAV POSITION, BEST AND PERHAPS ONLY HOPE FOR U.S. PARTICIPATION, IS IF INTERESTED CONSTRUCTION COMPANY CAN BE FOUND WITH PROVEN CAPABILITIES IN BOTH INDUSTRIAL AND CONVENTIONAL HOUSING. SUCH COMPANY WOULD HAVE TO IMMEDIATELY SUBMIT PROPOSAL FOR CONSIDERATION AND BE PREPARED TO DISPATCH REPRESENTATIVE TO KUWAIT; EVEN THEN PROSPECTS FOR SUCCESS DEPENDENT ON DEGREE OF SUPPORT ENERGOPROJEKT COMMANDS FROM LEADING MEMBERS GOK.

5. REQUEST COMMERCE AGAIN CONTACT SEVERAL CONSTRUCTION FIRMS FITTING DESCRIPTION OUTLINED IN PARA 4 AND SEE IF IT LIKELY THERE ANY INTEREST. MOREOVER, YUSSEF SHAIJI HAS ASKED US ABOUT "OPERATION BREAKTHROUGH" MATERIALS WHICH EMBASSY PROMISED HIM ON OCCASION OF VISIT HUD'S THEODORE BRITTON. REQUEST YOU CHECK WITH HUD AND NOTIFY US WHEN BE CAN EXPECT MATERIALS.

6. FOR TEHRAN AND BEIRUT: GIVEN NUMBER OF CONSTRUCTION COMPANIES MAINTAINING OFFICERS IN YOUR CITIES, IF TIME PERMITS, REQUEST YOU REPORT IF ANY U.S. FIRMS INTERESTED.
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